South Carolina Retirement Systems

A division of the South Carolina Budget and Control Board

Accountability Report

FY 2005

Peggy G. Boykin, CPA
Director
202 Arbor Lake Drive
Columbia, South Carolina 29223
(800) 868-9002
(803) 737-6800
www.retirement.sc.gov
cs@retirement.sc.gov

This page was intentionally left blank.

Contents

Executive Summary

The South Carolina Retirement Systems administers five retirement plans for South Carolina's public workforce by utilizing human and technological resources, both of which are reallocated throughout the year based on customer requirements. Some of the significant accomplishments for the Retirement Systems in FY 2005 include:

- Continued high customer satisfaction levels despite new legislation requiring retired members working for covered employers to make employee contributions and a sustained higher workload trend for the fourth consecutive year (see Page 14).
- Implementation of a new quality check form and call-back process by Customer Services to track customer satisfaction with the Call Center and Customer Intake departments.
- An administrative cost per member well below that of our peer pension plans (see Page 13).
- Major application development on Web-based centralized claim and payment management systems. These systems will provide integration and faster, more efficient processing of claims and payments.
- A new payment management system project was initiated. This new system will ultimately help us provide better customer service to our retirees and their survivors.
- Modification of computer systems to incorporate pre-tax installment service purchase option.
- Major application development to transform and automate division forms to a Web-based "smart" e-Forms format.
- Continued development on the incorporation of the State Optional Retirement Program (State ORP) into the existing South Carolina Retirement System (SCRS) application base.
- Upgrade of outdated hardware and software on system servers to increase system availability, provide additional functionality, and decrease maintenance costs.
- Employees continued to take advantage of outside training opportunities. Departmental cross-training programs and training as a result of succession planning also continued.
- 1,204,242 total documents were imaged and indexed within 24 hours of receipt.
- A Records Manager position was created to oversee the management and development of all division records and forms.
- 38,518 inactive member statements were mailed resulting in 3,518 refund requests totaling $19,591,368.45.
- As a result of legislation enacted July 1, 2004, significant program modifications were made to the Judges and Solicitors Retirement System (JSRS) service purchase calculations.
- The Service Department implemented the indexed service credit threshold, a new policy used in determining purchased service credit for public service, educational service, and State ORP participation which attempts to align service purchase credit with earned service credit.
- The refund and annuity claims systems were modified to disallow a refund or retirement for a member who is currently actively participating in the State ORP.
- 859 deferred annuity program notifications were mailed resulting in 217 retirement applications and 43 requests for refunds totaling $491,059.10.
- The project to strengthen identity theft controls was completed. As part of this project, all annuitant payees receiving monthly checks were contacted and encouraged to convert to

electronic deposit. The division also completed programming to mask Social Security numbers on correspondence.

- The Financial Services department worked closely with the General Assembly and the Retirement Systems' actuary to provide voluminous fiscal impact data regarding proposed retirement reform legislation.
- Processed monthly payroll and maintained records for more than 100,000 annuitants.
- The South Carolina Supreme Court ruled in favor of the Retirement Systems in the *Wehle et al. v. South Carolina Retirement Systems* case, finding that the Court had determined in an earlier case (*Kennedy v. South Carolina Retirement Systems)* that the General Assembly did not intend to triple the value of unused annual leave as contended by the plaintiffs. The plaintiffs had sought $2.5 billion in damages.
- The Retirement Systems' Investment Panel hired and funded five new small cap managers and approved five new large cap managers. The hiring process for three transition managers and the transition of $1.9 billion in assets for manager funding/termination and portfolio rebalancing was completed.

Business Overview
The staff of the South Carolina Retirement Systems consists of 181 permanent employees.

The Retirement Systems is located at 202 Arbor Lake Drive, Columbia, South Carolina, and is responsible for the administration of five separate systems:

- The South Carolina Retirement System (SCRS), which provides benefits to teachers and employees of the state and its political subdivisions;
- The Police Officers Retirement System (PORS), which provides benefits to police officers and firefighters;
- The General Assembly Retirement System (GARS);
- The Judges and Solicitors Retirement System (JSRS); and
- The South Carolina State Optional Retirement Program (State ORP), which provides eligible new members with the option to join a defined contribution plan instead of the SCRS defined benefit plan.

Each of the systems has enabling legislation and administrative policy that guides its implementation and management.

The annual administrative cost per active and retired member was $46.00 (see Page 13). Budget information is included in the State Budget and Control Board's accountability report.

In FY 2005, the Retirement Systems' trust funds held in excess of $24.8 billion in net assets and paid in excess of $1.7 billion in refunds and recurring benefits to nearly 115,000 recipients. The key customers of the Retirement Systems are the 372,429 active and inactive members, and the 104,090 annuitants to whom services are provided.

Key suppliers to the organization are the participating employers, the members of the five retirement plans, other Board offices, the Office of the State Treasurer, the State Retirement Systems Investment Panel, and the Office of the Comptroller General.

The Retirement Systems is customer centric. Thus, the primary focus of the organization is the administration of a comprehensive program of benefits responsive to the needs of public employees and the performance of fiduciary duties as stewards of the contributions and disbursements of the pension trust funds.

See organizational chart on Page 3.

Organizational Chart
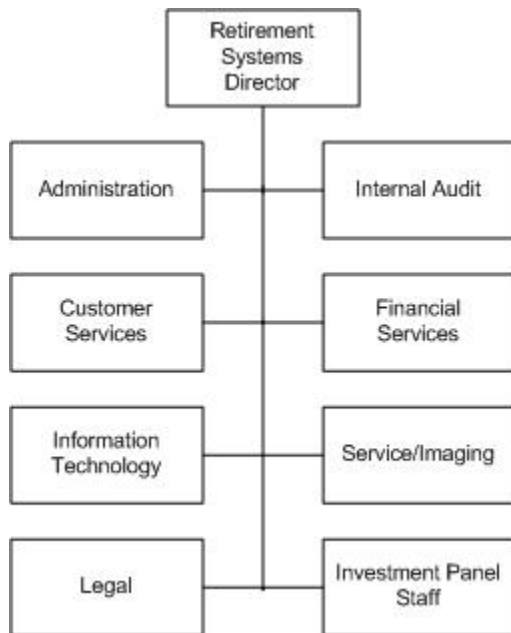
Base budget expenditures and appropriations, other expenditures, and interim budget reductions are reported on Page 9 of the Board's *Annual Accountability Report 2004-2005* (http://www.bcb.sc.gov/BCB/docs/BCB2004-05AccountabilityReport.pdf).

Major program areas are reported on Page 10 of the Board's *Annual Accountability Report 2004-2005* (http://www.bcb.sc.gov/BCB/docs/BCB2004-05AccountabilityReport.pdf).

Strategic planning goals and objectives, as well as key division action plans/initiatives are reported on Page 12 of the Board's *Annual Accountability Report 2004-2005* (http://www.bcb.sc.gov/BCB/docs/BCB2004-05AccountabilityReport.pdf).

1.0   Leadership

1. How do senior leaders set, deploy and ensure two-way communication for: a) short and long term direction; b) performance expectations; c) organizational values; d) empowerment and innovation; e) organizational and employee learning; and f) ethical behavior?

1.1.a.-f. Short and long term direction is set by the Executive Director of the Budget and Control Board and the Retirement Systems' senior leaders. Customer and stakeholder satisfaction, employee well being, and return on investment are the focus of short and long term strategy. Deployment and two-way communication are achieved through day-to-day contact with employees, informational e-mails, periodic meetings with managers, section meetings with all departmental staff, and an employee newsletter.

Senior leaders set performance expectations based on customer and stakeholder satisfaction, employee well being, and return on investment. Performance expectations are deployed through regularly scheduled and ad hoc staff meetings, operational reporting, and work process measurement. Two-way communication of performance expectations is achieved annually through use of the planning and evaluation stages of the Employee Performance Management System (EPMS) and throughout the year through regularly scheduled departmental meetings and informal discussion.

The division's organizational values are set according to the mission statements and strategic plans of the Board and the division. Senior leaders rely on daily face-to-face interaction with staff, phone calls, and e-mail to deploy and ensure two-way communication of organizational values.

The team-focused structure of the Retirement Systems provides senior leaders with ample opportunity to empower employees and encourage innovation. Senior leaders ensure that all employees have the tools necessary to perform their job duties with efficiency and accuracy. While monetary rewards for innovation are not always an option, senior leaders support and recognize innovation through individual and/or departmental commendation. Peer recognition is provided as well via the division's employee newsletter.

Senior leaders ensure the continued availability of professional development opportunities for all employees. The Board's training and development director scrutinized the Retirement Systems' personal and professional development program as preparations for a Board-wide initiative began. The Retirement Systems' program allows employees to develop their own training and development plan each year, which is then reviewed by and discussed with their supervisor. Learning opportunities range from almost daily in-house process-related training to outside opportunities presented annually for scheduling throughout the coming fiscal year. All employees attend Malcolm Baldrige and customer service training.

Senior leaders communicate ethical behavior through their personal actions and general discussion of cases and policy decisions. All employees are made aware of the division's

intolerance of unethical behavior through the deployment of ethics and use policies that must be reviewed, signed, and adhered to by all staff.

2. How do senior leaders establish and promote a focus on customers and other stakeholders?
1.2 The Retirement Systems' senior leaders maintain the division's deep-rooted customer focus by periodic evaluation of the division's responses to customer needs and reinforcement of the division's mission throughout the year. Anyone interviewing for a Retirement Systems' position is made aware of the Retirement Systems' tradition of excellence in customer service and informed of our senior leaders' expectations. These standards and expectations are reinforced upon hire and throughout the year via e-mail and our employee newsletter.

3. How do senior leaders maintain fiscal, legal, and regulatory accountability?
1.3 Senior leaders ensure fiscal accountability through automated systems designed with internal control edits to ensure accuracy of information; thoroughly tested and closely monitored automated systems changes; and monthly, daily, and yearly balancing and reconciliation with external and internal data sources validates the division's data. Business functions are audited to ensure compliance with federal and state regulations. Annual audits of financial records by an external, independent auditor further ensure accountability. The Retirement Systems is a statutory based organization and legal accountability is maintained by operating within the parameters of the statutes governing the Retirement Systems.

4. What key performance measures are regularly reviewed by your senior leaders?
1.4 Senior leaders regularly review key performance measures within the broad categories of: compliance with all statutory and regulatory guidelines; adherence to governmental accounting standards; accurate and prompt processing of all inquiries, requests, claims and payments; accurate and secure maintenance and retention of member and employer records; and the availability, reliability, and relevance of all technical applications.

5. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?
1.5 Senior leaders use opportunities for improvement identified through the organizational performance review process and employee feedback to reassess their leadership and management effectiveness so they may modify their style, approach, and/or behavior to accommodate findings and feedback. Employees are made aware of improvements through direct communication or behavior.

6. How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?
1.6 The Retirement Systems conducts pragmatic and continuous review of programs, services, and operations to identify potential risks. For example, in FY 2005, the media and other parties misinterpreted an actuarial projection affecting the South Carolina Retirement System (SCRS) and claimed that the Retirement Systems had discovered a $420 million accounting error. The Retirement Systems immediately responded by assuring members and the public that our

accounting records and financial statements were based on actual historical transactions and were audited each year by an external, independent auditor. We restated that there were no errors, mistakes, or misrepresentations in the Retirement Systems' financial accounting records or published financial statements and reported that SCRS had not lost $420 million. We provided further explanation that the $420 million referred to in media reports was contained in an independent actuary's projection; provided a simple outline of how these projections were made; noted that the actuary's projection was well within Internal Revenue Service tolerance levels; and explained the total affect the actuarial adjustment had on SCRS.

In early January 2005 in anticipation of an active legislative session, the Retirement Systems sponsored a seminar for members of the print media who report on retirement issues. The seminar familiarized the reporters with the basics and provided a primer on unfunded actuarial accrued liability (UAAL) and other fundamentals of actuarial science. The seminar resulted in more knowledgeable initial reporting and less need for clarification of new reports on the issues surrounding legislation affecting SCRS.

7. How does senior leadership set and communicate key organizational priorities for improvement?
1.7 Senior leaders set key organizational priorities by identifying opportunities for improvement through the review and tracking of performance relative to established measures. Key organizational priorities are communicated departmentally through senior leaders and division-wide via e-mail.

8. How does senior leadership actively support and strengthen the community? Include how you identify and determine areas of emphasis.
1.8 Senior leaders encourage and support involvement in the community through flexible work schedules that allow employees to participate in community organizations of their choice. As an organization, Retirement Systems' employees participate in the Richland County School District One's Lunch Buddies program. Senior leaders identify and determine areas of emphasis based on the division's location and through individual employee involvement.

2.0   Strategic Planning

1. What is your strategic planning process, including key participants, and how does it account for: a) customer needs and expectations; b) financial, societal, and other potential risks; c) human resource capabilities and needs; d) operational capabilities and needs; e) supplier/contractor/partner capabilities and needs?
2.1.a.-e. The Retirement Systems' strategic planning process, which involves the Board's Office of the Executive Director and the division's senior leaders, is based primarily on three Board-established key objectives and the organization's concomitant performance: customer and stakeholder satisfaction, employee well being, and return on investment (administrative cost per member). In FY 2005, the Retirement Systems' key strategy also included the completion of a project to enhance security and protect the privacy of member and employer data by masking Social Security numbers from documents.

Financial and other potential risks are carefully considered and, as necessary, recommendations are made for statutory or regulatory reform, or other action as appropriate. Service demand drives strategic planning for human resources, with expansion of cross training within departments as required to accommodate peak periods. Operational needs are planned to ensure that information systems will be available and responsive to internal and external customer and supplier/contractor/partner requirements.

In FY 05, the South Carolina Supreme Court ruled in favor of the Retirement Systems in the *Wehle et al. v. South Carolina Retirement Systems* case, finding that the Court had determined in an earlier case (*Kennedy v. South Carolina Retirement Systems)* that the General Assembly did not intend to triple the value of unused annual leave as contended by the plaintiffs. Moreover, the Court found that the issue in the case was whether the General Assembly intended to triple the value of unused annual leave used in a member's average final compensation calculation rather than whether the Retirement Systems could afford such a benefit. The plaintiffs had sought $2.5 billion in damages.

2. What are your key strategic objectives? (Address in Strategic Planning Chart)
2.2 Key strategic objectives for the Retirement Systems are customer satisfaction, employee well being, return on investment (administrative cost per member), enhanced privacy and security of data as reported on Page 12 of the Board's *Annual Accountability Report 2004-2005* (http://www.bcb.sc.gov/BCB/docs/BCB2004-05AccountabilityReport.pdf).

3. What are your key action plans/initiatives? (Address in Strategic Planning Chart)
2.3 The division's action plans/initiatives are reported on Page 12 of the Board's *Annual Accountability Report 2004-2005* (http://www.bcb.sc.gov/BCB/docs/BCB2004-05AccountabilityReport.pdf).

4. How do you develop and track action plans that address your key strategic objectives? Note: Include how you allocate resources to ensure accomplishment of your action plans.
2.4 The Retirement Systems' senior leaders develop action plans through the strategic planning process. These action plans are tracked through senior leadership meetings, departmental meetings, and informal discussion. Since the Retirement Systems is a service organization, strategic planning, action plans, and resources are allocated based on customer requirements. Information systems requests are reprioritized as necessary and staff is cross trained as needed to accomplish action plans.

5. How do you communicate and deploy your strategic objectives, action plans, and performance measures?
2.5 The Retirement Systems' strategic objectives are communicated to all employees through discussion, meetings, an employee newsletter, e-mail messaging, and the EPMS. Deployment of strategic objectives is accomplished through the combined efforts of human and technological resources. Action plans and performance measures are handled in the same manner.

3.0   Customer Focus

1. How do you determine who your customers are and what are their key requirements?
3.1 The Retirement Systems' customers, both members and covered employers, are established in statute. Key requirements for our member customers depend upon their status – whether they are active, inactive, or retired. Employer key requirements are fundamentally tied to financial reporting and member information.

2. How do you keep your listening and learning methods current with changing customer and business needs?
3.2 The Retirement Systems conducts annual customer satisfaction surveys of all covered employers and a random sample of members who retired within the previous 12-month period. Covered employers also receive an annual training survey that provides detailed information in addition to a customer satisfaction rating. Results of these surveys are reported on Page 16. While these formal surveys are useful and provide us with trend data, ad hoc conversations with members and employers are important in determining changing customer and business needs. In FY 2005, a new quality check form and call-back process was implemented by Customer Services to track customer satisfaction with the Call Center and Customer Intake departments. First year data revealed that 98.8 percent of our customers were satisfied with the service they received from the Call Center and 99.4 percent of our customers were satisfied with our Customer Intake Department's service. The Retirement Systems' business needs are a direct result of our customer needs.

3. How do you use information from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?
3.3 Each year, the Retirement Systems analyzes the results of the formal customer satisfaction and training surveys. The results are also used to gauge the effectiveness of services. Individual survey responses are shared with appropriate departmental staff for attention in addition to senior leaders. Customer and stakeholder feedback is also received through Customer Services' quality check form and call-back process, daily contact, field visits, and other ad hoc conversation. When possible, both manual and automated processes are modified in response to customer feedback, all with the goal of improving service delivery.

4. How do you measure customer/stakeholder satisfaction?
3.4 The Retirement Systems measures customer/stakeholder satisfaction annually through formal surveys and throughout the year through Customer Services' quality check form and call-back process, and ad hoc discussion and communication.

5. How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.
3.5 Positive relationships with customers and stakeholders evolve from individual employee/customer contact, formal participation by senior leaders in legislative and other meetings, and speaking engagements. The types of services provided to our member customers

and employer customers may vary, but the delivery of services is consistent and of the highest caliber.

4.0   Information and Analysis

1. How do you decide which operations, processes, and systems to measure for tracking financial and operational performance?
4.1 The Retirement Systems measures operations, processes, and systems identified through strategic planning and customer requirements. These include functions essential to the division's day-to-day operations and those functions on which our customers rely.

2. What are your key measures?
4.2 The Retirement Systems' key measures are customer satisfaction, employee well being, return on investment (administrative cost per member), and the enhancement of security and privacy of data.

3. How do you ensure data integrity, timeliness, accuracy, security and availability for decision-making?
4.3 Information systems have built-in safeguards and controls to ensure that data is not compromised. An internal auditor routinely conducts random audits to further ensure data integrity and accuracy. The Board's Division of Internal Audit and Performance Review also audits data. Additionally, the Retirement Systems' financial accounting records are audited annually by an independent, external auditor. Systems safeguards and upgrades also ensure data availability and timeliness.

4. How do you use data/information analysis to provide effective support for decision-making?
4.4 The Retirement Systems uses volume measures to support decisions about the allocation of human and other resources to accommodate service demand. Cycle time performance data is used to assess the timeliness of service delivery. The division also analyzes trend, financial impact, quality assurance, customer satisfaction, and benchmarking data to support decision-making. The feasibility and effectiveness of possible changes are also considered.

5. How do you select and use comparative data and information?
4.5 The division has contracted with Cost Effectiveness Measurement, Inc., to benchmark the Retirement Systems' performance against that of its peer public pension plans. The FY 2004 study, the latest available, compared the division's performance to the performance of 54 other plans. Volume and trend data is used to gauge fluctuations in workloads and peak service demand periods so that resources can be allocated accordingly. Evaluation of the annual and actuarial reports of other state pension plans is conducted as well.

6. How do you manage organizational knowledge to accomplish the collection and transfer and maintenance of accumulated employee knowledge, and identification and sharing of best practices?

4.6 The Retirement Systems employs succession planning to ensure that accumulated employee knowledge is not lost when a long-time employee terminates employment. Formal cross training, and informal mentoring and shadowing are also used to collect and transfer accumulated employee knowledge. Best practices are identified and shared through performance measurement and benchmarking against global and peer public pension plans.

5.0 Human Resource Focus

1. How do you and your managers/supervisors encourage and motivate employees (formally and/or informally) to develop and utilize their full potential?
5.1 The Retirement Systems has a formal recognition program coordinated by a volunteer committee. In addition to service award recognition, senior leaders sponsor a holiday brunch each December to show appreciation for a job well done. In FY 2005, employees also participated in a dessert cook-off, an ice-cream social, and a special Public Employee Recognition Day gathering that featured a gallery of customized photographs of all employees. Individual employee achievements, both professional and personal, are publicized in our employee newsletter, *For Our Benefit*.

2. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation, and safety training?
5.2 Strategic and succession planning, as well as customer requirements, drive the division's key developmental and training needs. The Retirement Systems has a Training Advisory Committee that meets periodically to further analyze needs as identified by senior leaders and employee suggestions. Each fiscal year, employees may complete a Personal Career Development Plan. Likewise, a training calendar is updated each year from which employees may select courses for the coming year. Senior leaders select employees for management and leadership development and enroll this staff in the Certified Public Manager, Leadership Academy, and other programs offered by the Board's Office of Human Resources (OHR). New employee orientation is handled through OHR as well. Safety training occurs on-site and through Board-sponsored classes.

3. How does your employee performance management system, including feedback to and from employees, support high performance?
5.3 The planning and evaluation stages of the EPMS provide two-way communication opportunities for supervisors and employees. In addition to any written comments in an EPMS, face-to-face discussion and review of the EPMS planning and evaluation stages allow employees a regularly scheduled opportunity to find out what is expected of them and allow supervisors to inform staff of these expectations.

4. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?
5.4 The Retirement Systems informally measures employee well being and satisfaction through day-to-day conversation, departmental meetings, and through comments placed in the division's

suggestion boxes. Employee motivation is more formally assessed through the division's annual employee training and development planning process.

5. How do you maintain a safe, secure and healthy work environment? (Include your workplace preparedness for emergencies and disasters)

5.5 Workplace safety, security, and healthfulness are ensured through regular observation, inspection, maintenance, and repair of the physical plant. Emergency and disaster preparedness plans are updated as necessary and drills are carried out at least annually to ensure that all employees know what to do and where to go in the event of an emergency or disaster. In FY 2005, nine employees were certified or recertified in cardiopulmonary resuscitation (CPR) and emergency first aid. The Retirement Systems also has a disaster recovery program in place for payments and will be expanding this program to include all areas of operations.

6. What activities are employees involved with that make a positive contribution to the community?

5.6 Efforts coordinated through the Retirement Systems include employee participation in Richland County School District One's Lunch Buddies program, the First Ladies' Walk for Life, American Red Cross blood drives, American Heart Association CPR and first aid certification/recertification, and United Way of the Midlands and Community Health Charities fund-raising campaigns. The Retirement Systems supported individual employee involvement in the South Carolina Guardian Ad Litem program, participation in the Leukemia and Lymphoma Society's Team in Training program, service as pro bono legal representation, and volunteer staffing of the South Carolina Emergency Preparedness Division as requested. Other individual volunteerism included service at homeless shelters, participation in food drives, service as Salvation Army bell ringers, participation in coat drives, and pet therapy.

6.0   Process Management

1. What are your key processes that produce, create or add value for your customers and your organization, and how do they contribute to success?

6.1 Two value-added key processes are the incorporation of customer requirements into new technology and the cross-training of staff. The services provided to customers by the Retirement Systems are customer-driven and technologically-based. By furthering technological means in addition to empowering human resources, the Retirement Systems can improve service delivery. By cross-training staff, the Retirement Systems ensures that human resources are available when and where needed without an increase in staffing. Other key processes that add value for our customers are: 1) Tracking of all customer requests for information, benefit estimates and other services on a centralized computer system; 2) Instantaneous access to member information through document imaging and Unix systems; 3) Customer participation in electronic banking processes such as electronic fund transfer (EFT); 4) Employers' ability to submit reporting data electronically; 5) Web-based technology that allows the division to make brochures, handbooks, forms, and other current news and information readily available to customers; 6) Continual updates to automated systems as a result of legislative changes, process improvements, and

customer feedback. When information systems modifications are made, input is requested from all impacted departments to ensure that internal customer needs are met as well.

2. How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors into process and design delivery?
6.2 The Retirement Systems incorporates organizational knowledge into process and design delivery through ad hoc conversation, discussion, and regularly scheduled meetings. To ensure that organizational knowledge is constant and continuous, the division practices succession planning and shadowing. New technology is incorporated into process and design delivery as a result of customer requirements. As customer and mission-related requirements change, senior leaders reassess business requirements and make necessary modifications to the Retirement Systems' processes. The Retirement Systems is able to control costs associated with process and design delivery through in-house systems programming. Key performance measures and formal surveys are used to identify shifting customer and/or business requirements.

In FY 05, major application development on the Web-based centralized claim and payment management systems was made. These systems will provide integration and faster, more efficient processing of claims and payments.

A new payment management system was initiated. Ongoing implementation of this system will involve analyzing data and work functions, anticipating new processes that will be needed as the system grows, planning for automation of processes that are now manual, and designing ways to improve interfaces within our internal departments, external entities and our retirees. This new system will ultimately help us provide better customer service to our retirees and their survivors.

Our computer systems were modified to incorporate the expanded installment service purchase program which now allows pre-tax payments. Current participants were given the option to convert their existing accounts.

Major application development was done to transform and automate division forms to a Web-based "smart" e-Forms format. This project will be completed in two phases. The "smart" e-forms will allow "single views" of member and transaction information via custom reporting and will include an automated e-mail notification mechanism for reduced member and employer reliance on the Retirement Systems' Call Center for payment status and other information.

Development continued on the incorporation of the State Optional Retirement Program (ORP) into the existing South Carolina Retirement System (SCRS) application base. Our computer systems are being modified to allow tracking of detailed information such as quarterly wages, employer code, and months paid for each State ORP participant. This information will then be used to provide improved customer service to State ORP participants.

IT staff upgraded outdated hardware and software on system servers to increase system availability, provide additional functionality, and decrease maintenance costs.

The refund and annuity systems were modified to disallow a refund or retirement for a member who is currently actively participating in the State ORP.

The project to strengthen identity theft controls was completed. All annuitant payees receiving monthly checks were contacted and encouraged to convert to electronic deposit. As a result, the percentage of payees receiving benefits via direct deposit increased from 79% to 85%. The division-wide identity theft project to mask Social Security numbers on correspondence was also completed.

3. How does your day-to-day operation of these processes ensure meeting key performance criteria?
6.3 Through continuous monitoring and assessment, the Retirement Systems can identify opportunities for improvement and take immediate corrective action or integrate a longer term solution into its five-year strategic plan.

4. What are your key support processes and how do you improve and update these processes to achieve better performance?
6.4 The division's key support processes include: automated information systems; financial and accounting management; facilities management; and intergovernmental relations. The Retirement Systems regularly reviews and analyzes the effectiveness of each key support process. Processes needing improvement are identified and revised to better accommodate both internal and external customer requirements and service delivery. Technology is an integral part of almost all Retirement Systems processes and continued development and streamlining of our technological capabilities allows staff to better meet our customers' needs and, thus, achieve better performance.

5. How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?
6.5 The Retirement Systems manages and supports key supplier/contractor/partner interactions and processes through the provision of automated information systems; financial and accounting management; facilities management; and intergovernmental relations. Authorized covered employers are trained on the usage of the Retirement Systems' automated information system for employers and must sign confidentiality agreements prior to gaining access. Vendors for the recordkeeping and administration of the South Carolina Deferred Compensation Program, for actuary services, for investment consulting and money management services, and for the State Optional Retirement Program are subjected to rigorous scrutiny through the request for proposals (RFP) process, contracts, and due diligence. The Retirement Systems' Customer Education staff also conducts mandatory on-site employer visits and regional training seminars to explain Retirement Systems procedures and policies, and any changes thereto as a result of legislative or policy modifications.

7.0   Business Results

The Retirement Systems continued and improved upon its best practices by maintaining high customer satisfaction ratings while responding to a sustained higher workload for the fourth consecutive year. The division takes its role of fiduciary steward seriously and compares favorably among its peer pension plans. Our business results are presented herein in the form of charts depicting our key performance measures.
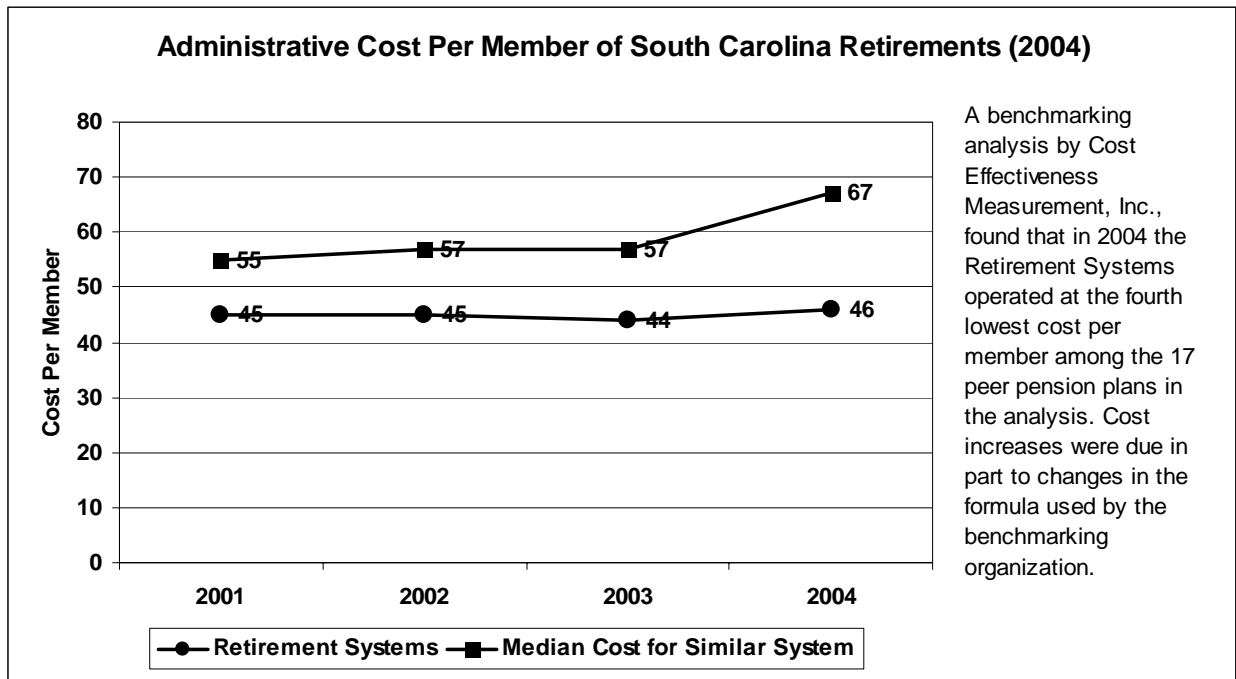
Administrative Cost Per Member of South Carolina Retirements (2004)

A benchmarking analysis by Cost Effectiveness Measurement, Inc., found that in 2004 the Retirement Systems operated at the fourth lowest cost per member among the 17 peer pension plans in the analysis. Cost increases were due in part to changes in the formula used by the benchmarking organization.

	2001	2002	2003	2004
Retirement Systems	45	45	44	46
Median Cost for Similar System	55	57	57	67

South Carolina Retirement Systems Customer Satisfaction

Retiree and employer satisfaction remained steady despite statutory changes to the retirement plans that required employers to modify their automated systems and working retirees to make employee contributions. Not all retired members surveyed were affected by the changes; however, all employers surveyed were required to take action.

Comparison of Service Retirement Claims Processed by South Carolina Retirement Systems

Number of Retirees

Year	Value
1998	3,595
1999	3,976
2000	4,417
2001	11,698
2002	6,821
2003	7,398
2004	6,982
2005	6,749

2001 forward reflects inclusion of TERI program participants

A higher workload trend continued for the fourth consecutive year. The number of claims processed in 2002 through 2005 was an average of 58% higher than the number processed in 2000. Govermental downsizing in response to budgetary concerns and changes to retirement statute continued to affect the sustained workload. The workforce remained relatively constant.
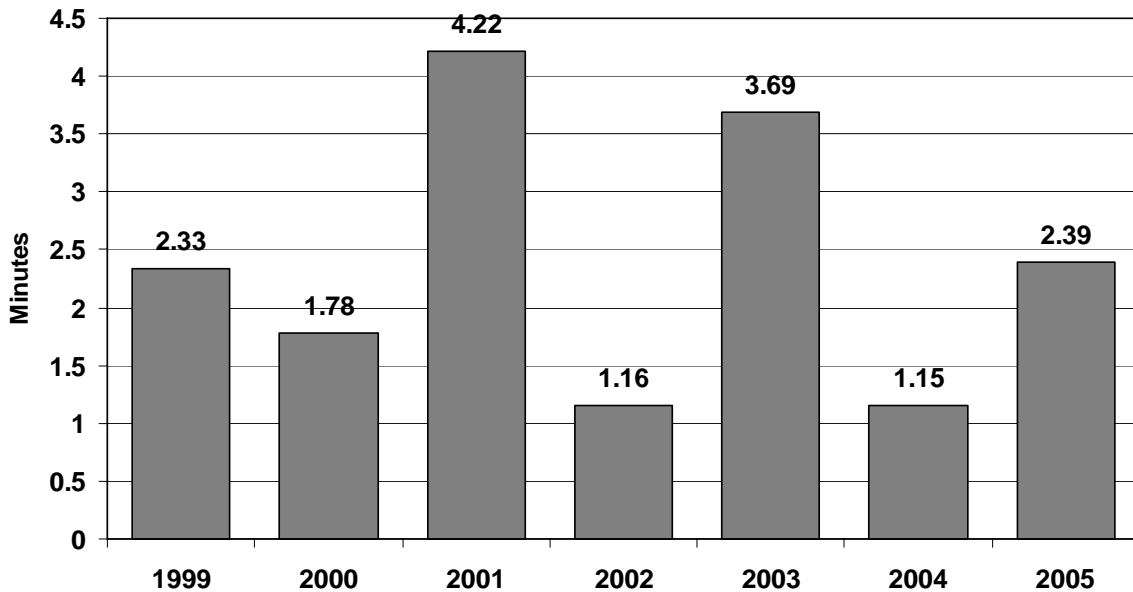
A claim processed is the number of files released to payroll for benefits to begin as of a certain date. A member may have retired and not yet been released to payroll for various reasons. For example, a member's date of retirement may be 6/17/05, but the member may not be released to payroll until 7/7/05.

Customer Services Call Center Calls Answered by Fiscal Year

Fiscal Year	Calls Answered
1997	88,662
1998	116,771
1999	125,903
2000	135,614
2001	166,291
2002	148,692
2003	138,720
2004	161,425
2005	154,523
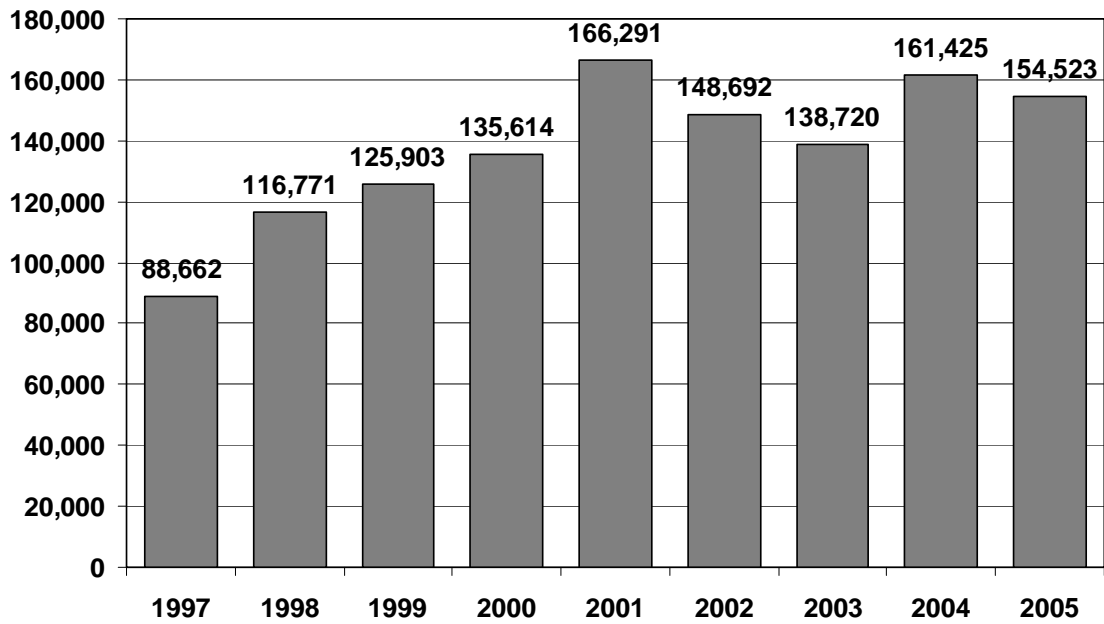
Customer Services Call Center Call Wait Time by Fiscal Year

Fiscal Year	Minutes
1999	2.33
2000	1.78
2001	4.22
2002	1.16
2003	3.69
2004	1.15
2005	2.39

Customer Services Call Center Calls Abandoned While Waiting to Be Answered

Year	Total incoming calls	Calls abandoned
1998	176,764	54,058
1999	169,614	41,240
2000	172,481	31,959
2001	250,324	80,429
2002	177,998	26,585
2003	205,120	63,769
2004	191,111	27,144
2005	201,034	43,930
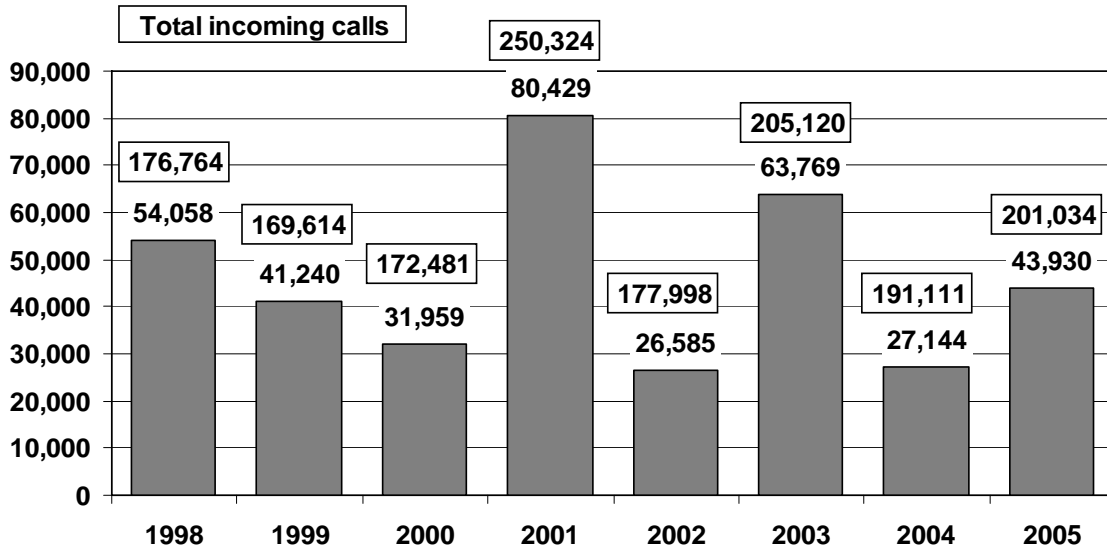
Customer Services Visitors by Fiscal Year

Year	Visitors
1998	11,047
1999	12,257
2000	12,411
2001	23,017
2002	14,193
2003	15,967
2004	15,232
2005	15,519

Average Wait Time for Visitor Consultations
(with appointments)

Year	Minutes
1998	22.60
1999	20.65
2000	11.37
2001	10.37
2002	7.53
2003	9.54
2004	7.00
2005	8.00

Average Wait Time for Visitor Consultations
(without appointments)

Year	Minutes
1998	31.63
1999	18.98
2000	10.61
2001	11.06
2002	6.83
2003	8.78
2004	6.00
2005	8.00

FY 2005 Information Technology Downtime in Hours/Minutes

Chart — Hours/Minutes by event:

Event	Hours/Minutes
Jul - ADABAS, Imaging (hardware)	6.03
Aug - All Systems - PO including Com. Rm	1.00
Sep - 9-13 - email/hd - 9/29 - imaging/PO	1.55
Oct -10/1 - imaging - 10-11 - imaging	4.30
Nov - 11-8 - MF - CIO	2.00
Dec	0.00
Jan - Maestro/job scheduler	8.00
Feb - EES - Broker(2/9) &r reload data (2/10)	6.45
Mar	0.00
Apr- EBS Deployment (EES down for 1/2 day)	9.00
May - DB150 reorder & EES server crash	5.55
June - EES - error loading adabas files	4.17

Percentage of Employers Utilizing EES

Year	Percentage
FY 2000	8%
FY 2001	27%
FY 2002	41%
FY 2003	48%
FY 2004	52%

Percentage of Active Membership Covered by Employers Utilizing EES

Bar chart showing:
- FY 2001: 68%
- FY 2002: 89%
- FY 2003: 92%
- FY 2004: 92%
- FY 2005: 94%
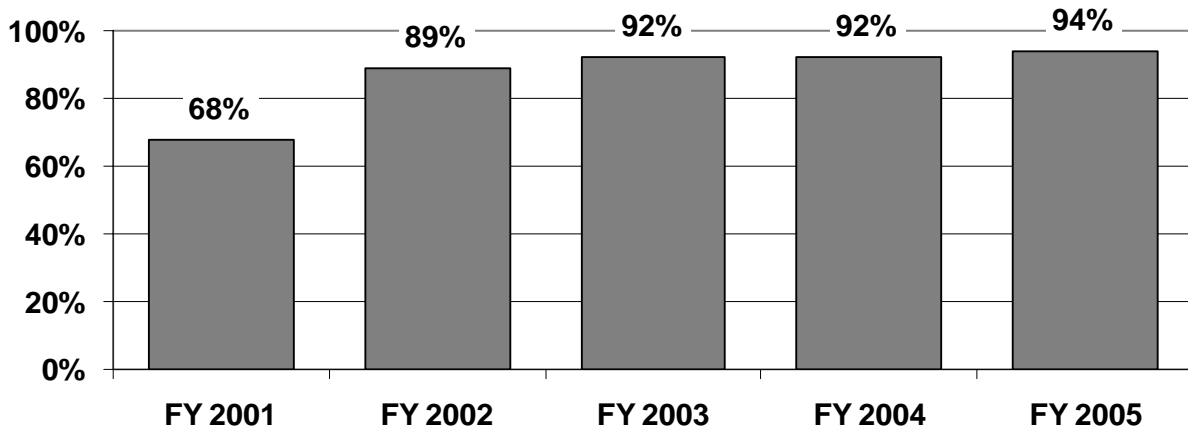
Percentage of Staff Participating in Training Opportunities

Bar chart showing:
- FY 2002: 95%
- FY 2003: 95%
- FY 2004: 80%
- FY 2005: 74%
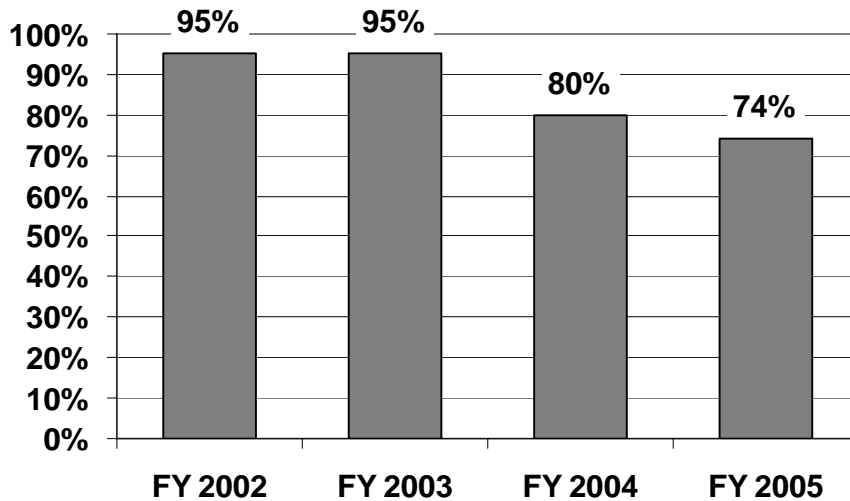
Thirty-seven percent of participants took advantage of more than one training opportunity in FY 2005. Participation dropped as a result of employees having already taken advantage of the training courses offered.